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THE POLITICAL ECONOMY OF A COUP: TRANSNATIONAL
LINKAGES AND PHILIPPINE POLITICAL RESPONSE*

Robert B. Stauffer

While the mainstream of American political development theory is remarkably flexible in response to the many criticisms against it, it persistently ignores one of the central themes found in the critical literature. It has failed to meet head-on the charge that the nation-state is not an autonomous political system and hence cannot be analyzed as such.

Much of the criticism of the dominant modes of analysis in political development literature has been what might be called in-house comment--- questions raised about minor details by individuals committed to the same basic paradigm. More recently, however, this body of theory has been challenged on more fundamental levels. From one position, international relations analysts have proceeded to invade the field without as much as paying their respects to the present occupants. "Linkage theory," representative of the most important component of this invasion, immediately became a powerful framework within which to build a development theory radically different from the mainstream.¹ Other theorists have begun to integrate the analysis of national and international stratification systems, again with little regard for the conventional literature on political development.² Much international relations and stratification theory seeks to apply relatively conventional systems and/or structural-functional theory to the analysis of the underdeveloped portion of transnationally linked political systems. More accurately stated, such analyses assume that the nation is a sub-unit within a larger transnational system.

Such approaches, while radically liberating in their impact on older conceptualizations of political development, still present no basic criticism of the underlying premises of the discipline. This is not true of the work of

a third group of critics who draw their working ideas directly or indirectly from the Marxist tradition. Economists Paul Baran and Andre Gunder Frank have been influential in creating a view of underdevelopment that links it with the simultaneous development of the industrial nations.³ Subsequent literature has explored this theory more fully: Bodenheimer has recently expanded the model in order to criticize traditional theories of political development and to build on existing dependency theory.⁴ Galtung, working within the rich literature on imperialism, has refined the conceptual package in a manner to make operationalization of hypotheses relatively simple and to provide guidelines for policy-oriented research.⁵

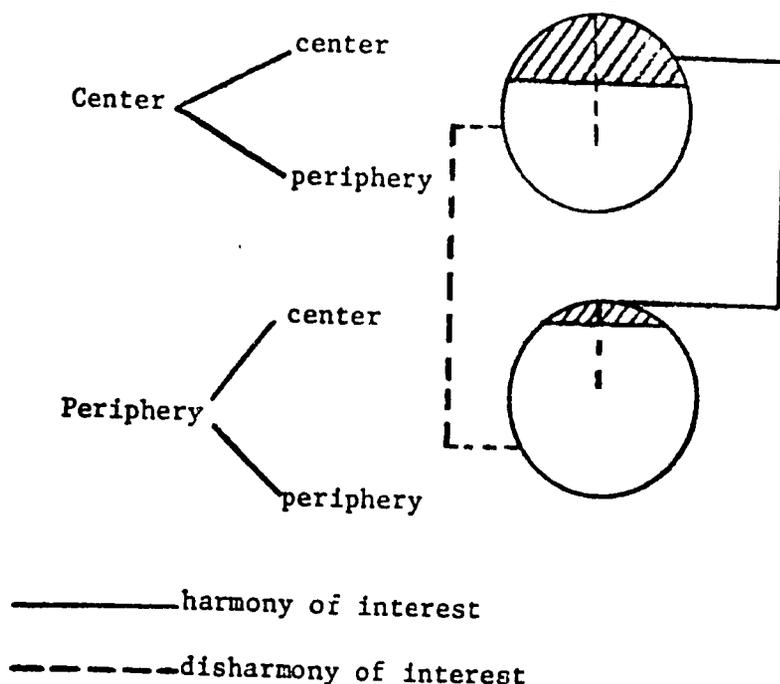
Dependency/Imperialism Models

Dependency/imperialism models appear to be a more satisfactory basis from which to work than either linkage or stratification theory.⁶ Dependency/imperialism models hypothesize that relationships between powerful industrial nations and poor pre-industrial societies have, over time, contributed to their differential statuses, and that the differences have been institutionalized in structures of dominance and dependency designed to perpetuate the system. Theorists working fully within the Marxist tradition define the model in a manner to apply only to relationships found between capitalist industrial nations and underdeveloped countries in the Third World. Others have built dependency/imperialism models based on concepts from the Marxist literature that can be applied to relations within the Soviet bloc as well as between capitalist nations and their weaker satellites.⁷

Bodenheimer's contributions have already been mentioned. She has effectively summarized the large body of dependency literature, strengthened it by incorporating a sub-theory of "dependent industrialization" into the larger framework, and argued for the addition of the concept "imperialism" to the dependency

model and for a stronger emphasis in dependency research on the international economic system. She maintains that the dependency models in the past have provided "a view 'from below'" and that the addition of a theory of imperialism would provide "a view 'from above'--an explanation of the specific nature of the international system and its roots in the dominant nations."⁸

Possibly the most effective statement of dependency/imperialism theory for purposes of producing researchable hypotheses that can be operationalized in conventional behavioral terms is Galtung's model of the structure of imperialism. Simplified in a two-nation construct, he defines imperialism as "one way in which the Center nation has power over the Periphery nation, so as to bring about a condition of disharmony of interest between them." He expands the definition by making more explicit the relationships. "Imperialism is a relation between a Center and a Periphery nation so that (1) there is harmony of interest between the center in the Center nation and the center in the Periphery nation, (2) there is more disharmony of interest within the Periphery nation than within the Center nation, (3) there is disharmony of interest between the periphery in the Center nation and the periphery in the Periphery nation."

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This suggestive model provides the basic concepts for this Philippine case study. The model focuses on the disharmony of interests between the industrial nations and the Philippines, and on the closely parallel interests of key elites in the former group of nations and the latter. Several minor additions and modifications are in order, however. Provision needs to be made for intra-elite conflicts in dependent nations. Such conflict is generated when demands are made for greater national control over the economy, for example--for defeudalization in Galtung's terminology. The result is a conflict situation within the nation with the elite supported by its metropolitan allies defending the feudal status quo, and with the counter-elite and their internal allies--loosely termed nationalists in this context--pushing for defeudalization. In situations where the nationalists have made small gains over an extended time period, as was true in the Philippines before the 1972 coup, the struggle in essence is over defeudalization or refeudalization.

The second modification entails increased emphasis on the political consequences of dependency for periphery nations. While the dependency/imperialism literature is explicit about the type of economic consequences to anticipate from these relationships--how they produce widening gaps between the economies of industrial and underdeveloped nations and within nations in the underdeveloped category--much less has been specifically said concerning political system changes that might be anticipated as accompanying dependency. Elsewhere I have suggested that increased pressure from great powers on the more vulnerable

Third World nations will likely produce "garrison states" in these polities as the only device by which local elites can maintain control over their populations as increasingly demands for "stability" clash with demands for radical, nationalistic change. In addition, therefore, to the hypothesized widening of the economic gap between industrial and pre-industrial (or "dependent industrializing") nations, I would also hypothesize that the political gap between industrial nations (of the non-Soviet bloc) and the nations of the Third World is widening. One dimension of this gap would be the increased reliance on authoritarian regimes in poor nations to maintain the relationships that permit increased openness, flexibility, and responsiveness in the overdeveloped nations.

A model that hypothesizes a widening political gap between developed and underdeveloped nations and a linkage between the two phenomenon immediately sensitizes one to questions that might be asked of political developmentalists. Rather than ask about the "prerequisites of democracy" in a way that precludes finding symbiotic patterns connecting political and economic development with underdevelopment, a dependency/imperialism model encourages one to probe for the transnational mechanisms through which dominance is maintained, and to investigate fully the political consequences that follow from dependency. The following investigation of recent changes in the Philippine political system is an attempt to work with these concepts. By way of recapitulation, the Galtung model will be used as a basic framework. I have modified it to include (1) possible conflict arising from inter-elite struggle over the terms of the relationship with the Center nation, (2) a widening political gap between industrial and pre-industrial (as well as "dependent industrializing") nations, and (3) resort to authoritarian/military rule in any Third World nation still adhering to pluralist democratic political forms whenever political "instability" increases.

The Philippine Political System: Pre-Coup

A decade ago Phillips Cutright concluded that the Philippines, along with three other Asian nations, was "politically overdeveloped." He went on to note that even by the time he wrote two of the four (Burma and Indonesia) had already "turned away from complex political organization" and had "abandoned multi-party politics." He suggested that the remaining two would move toward the regression line "by decreasing their level of political development."¹³ Events nearly a decade later bore out his prediction. The Philippine political system now approximates those found in the other Southeast Asian nations. As an Indonesian delegate to a regional meeting after the coup reportedly said as he turned to the delegate from the Philippines:¹⁴ "Welcome back to Asia."

Whether as a result of aggregate data analysis or through intensive study of sub-units of the Philippine political system, conclusions that the Philippines had been politically overdeveloped rested on its ability to survive¹⁵ repeated elections in which power passed from one political party to another, to sustain trenchant political criticism from elected legislators and a free-wheeling press, to live with minor forms of political instability without resort to system-altering violence, to socialize an economically, ethnically, linguistically, religiously, and geographically divided population into providing supports for the system and granting it legitimacy, and to maintain a relatively unified ruling class largely coterminous with the social and economic elite but sufficiently open to provide some upward mobility for energetic and talented individuals from non-elite backgrounds.

Concern that the Philippine political system might break down has been generated primarily by fear of the radical left. A radical peasant movement severely challenged the regime in the early 1950s. A resurgence of radical guerrilla activities joined by urban students at the end of the

1960s brought renewed obsession with "communism" as the major threat likely to produce system breakdown. President Marcos himself argued this
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in his treatise on revolution.

Two researchers recently investigated the processes of "political decay" in the Philippines. Drawing data from a large sample of Philippine municipalities, their empirical study demonstrates that increased political factionalism has taken place at the local level as a result of national economic development. This development has strengthened the power of the national elite and undercut the power of the local elite. They conclude that "functionalist and pluralist interpretations of Philippine social and political life appear insensitive to this contradiction in their emphasis on the marginal resources which participation in the Philippine political arena yields while the basic 'terms of trade' between the elite (patrons) and clients (masses) deteriorate
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in favor of the elite."

While the concept of "political decay" is not/^a particularly apt analytical tool,¹⁸ their use of the idea in conjunction with a version of the dependency model was highly productive. They not only accumulated conclusive data that factionalism has increased over time in the Philippines, but showed how this is structurally linked with the widening economic gap between elite and peasants in the Philippines as a result of the increased competence of the national elite in extracting wealth from the mass base. Although their study did not include analysis of metropolitan/dependency relations, they recognize the close rapport existing between the Philippine elite and its American allies.

The pace of political system response to these conditions became noticeable in the late 1960s. Nationalist challenges to the American position of dominance over the Philippines grew in intensity as student demonstrations demanded an end to Philippine dependence on the United States. In the 1969 presidential elections, President Marcos responded to the internal structural pressures by spending massive amounts of public and private funds to win reelection.

He earned the support of many in the national political elite by defending their interests and effectively using his powers over the release of pork barrel monies for local projects. He captured the U. S. government's backing by his earlier commitment of Philippine military units (albeit non-combatants) to South Vietnam and his consistent willingness to trade small American concessions for large Filipino ones (e.g., title over a small U. S. military base in return for uncontested continuation of the huge military establishments maintained by the U. S. in the Philippines). His campaign for reelection was successful, making him the first president in Philippine history to be reelected.

The unprecedentedly large sums spent on the campaign produced a profound negative effect on the economy and convinced the nationalists that the system defended by the President was hopelessly corrupt and subservient to American interests. Student protests escalated beginning with a demonstration held at the time of Marcos' inauguration in January 1970. Violence also escalated: para-military forces killed some 30-40 activists in the streets of Manila during the two and a half years between the inauguration of the President to his second term and his imposition of martial law. The writ of habeas corpus was suspended in 1971 following an assassination attempt against the opposition party candidates: while it was suspended, more than a hundred nationalist spokesmen were arrested, some to remain in prison into the martial law era.

President Marcos' determination to break the one-term pattern of Philippine politics at any cost, his determination to defend and even advance the interests of the United States, his willingness to employ para-military violence against urban demonstrators (largely students), the implication that the Administration planned and carried out the assassination attempt on the opposition party's candidates, and the suspension of civil liberties as a method for "rounding up the agitators" indicate the extent to which the political system had already deviated significantly from the patterns described earlier in this section. The media

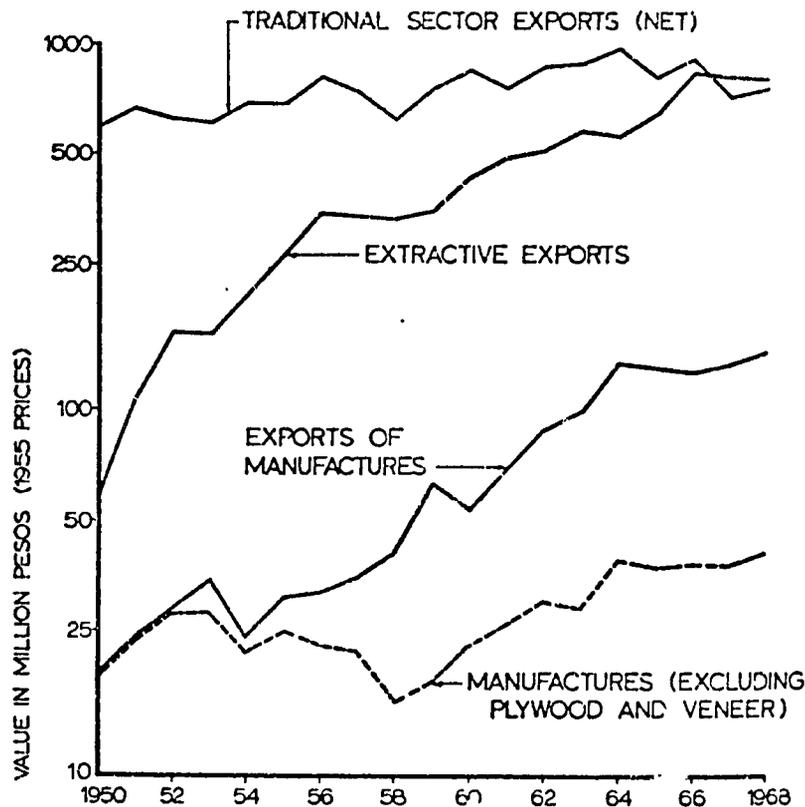
was aware of the direction the changes were pushing the Philippine polity, and warned insistently against the possibility of military dictatorship.

The Philippine Economic System: Pre-Coup

On one central proposition about the Philippine economy there is substantial agreement among commentators, whether inside or outside the establishment: the benefits go to a very small minority that dominates it. In an extended interview shortly before his arrest, Senator Benigno S. Aquino--the most charismatic, articulate, and popular leader of the Liberal Party--stated that the economic system had produced a "self-perpetuating, lopsided society of castes in which 1.5% are privileged to enjoy the good life; the rest, the 75% poor--even the 23.5% middle-middle class--can barely make a living." ¹⁹ Following the coup President Marcos spoke to the same question in answer to an interview: "Q. It is often said that about 400 families dominate the economy and politics of this country of about 40 million. Is this true? A. Let's put it more accurately and say that 4 per cent of our population may control 90 per cent of the wealth of our country. And since the source of his income determines a man's loyalty, especially in this country, the entire system is corrupted." ²⁰ Stated somewhat differently, the Philippine economy increasingly / ^{fosters} levels of material elegance for a small class in stark juxtaposition to the life styles forced on a struggling lower- and middle-middle class trying to keep up with consumption patterns geared to U. S. standards, and a massive urban squatter population and rural peasant class marginally surviving on a day-to-day basis. Since much of the increase in manufacturing has taken place through a capital-rather than labor-intensive strategy, the economy has been totally incapable of providing employment for those seeking work. The magnitude of the unemployment problem can be sensed in figures from the National Economic Council's pre-coup development plan for the years 1972 to 1975. That plan stated that 4,300,000 of the nation's labor

force (approximately one third of the total) were unemployed or underemployed.

The developmental performance of the Philippine economic system can be measured on a number of dimensions. The vital importance of the traditional sectors--agricultural products and extractive exports including plywood and veneer--is shown in Figure 2. The strength of the traditional sectors also shows that the Philippine economy remains as colonial today in



Philippine exports by major category, 1950-1968

Figure 2 (from Hicks and McNicoll)

its reliance on traditional exports as it did at the beginning of the independence era. Moreover, between 1950 and 1968 real value of the extractive industry increased fivefold; exports from mining and related industries grew at an average of 13 per cent a year during those years. Large new nickel and copper mines and the expansion of iron, and a relentless search for new sources of minerals and especially for oil, suggest that continued expansion of the traditional extractive sectors will only help sustain the dependency

structure of the Philippine economy.

Additional expansion of the traditional sectors of the Philippine economy has already taken place. In plantation agriculture, for example, Dole Company began a new pineapple plantation in the 1960s, followed by bananas under United Fruit, Standard (Philippines), and Philippine Packing Corporation--all American corporations. In addition, new joint Japanese/Philippine plantations specializing in banana production have been established.

Nearly all plans for the expansion of manufacturing rely heavily on the initiative of foreign corporations and on the intrusion of new foreign investments. Illustrative here is the drive to create automobile manufacturing in the Philippines. Although attempts have been made to limit the number of firms that will be allowed to participate in the special tax benefits and other generous incentives offered by the government, the emerging pattern is one in which the major automobile manufacturing firms of the world are setting up extensions of their corporations to manufacture automobile components in the Philippines. Some enter into joint ventures with Filipino entrepreneurs, although Ford, which plans the largest undertaking, wants no formal arrangements with local business aside from sub-contracts for parts.

While this industrialization strategy may result in an "automobile industry" in the Philippines, it can scarcely be expected to produce a transportation industry geared to the needs of the society rather than to those of the elite and upper-middle class. Consideration of alternative transportation systems for a poor nation other than expanding the number of private automobiles available is at best relegated to secondary importance by the decision to go the route of the private automobile, especially when their design and production is left in the hands of foreign corporations.²³ Moreover, the asymmetrical relationship between the powerful multinational corporations and their Filipino allies suggests that the benefits will do nothing to close any of the gaps between the Philippines and the industrial nations.²⁴

Foreign private investment in the Philippine economy. Preliminary results from a large-scale study of private foreign investment in the Philippines conducted by three Philippine government agencies show that approximately 80 per cent of the foreign investment in 1970 was American, 7.4 per cent British, 6.2 per cent Japanese, 4.1 per cent Chinese, and smaller amounts for a number of other nations.²⁵ Since the American share, even when final figures become available, is not likely to change significantly, discussion will be limited to an examination of the importance of American capital in the Philippine economy.

Business Day, the Philippine equivalent of the Wall Street Journal, publishes an annual exhaustive summary of business statistics in which corporations are ranked according to a variety of performance indicators. In a preface summarizing the year 1969 an editor stated, "American corporations in the Philippines continued to dominate sales, income, assets, and equity indicators for the 1,000 largest firms in the country in 1969."²⁶ In that year the top 50 American concerns had assets of ₱3.8 billion which at the then exchange rate amounted to approximately \$1 billion. Altogether there were some 800 U. S. firms operating in the Philippines in 1969. It would appear, therefore, that a figure of \$2 billion claimed by the Philippines Securities and Exchange Commission for American investment in the nation is close to reality. Even working with the ₱3.8 billion for the top 50 American companies, American holdings comprise approximately 19.5 per cent of all Philippine assets in manufacturing, commerce, services, utilities, mining and agriculture.²⁷ If a figure approximating \$2 billion is found to be accurate, American holdings would then range well above a third of the total corporate assets in the listed sectors of the Philippine economy.

While the overall size of the American presence in the Philippine economy is in itself important as a general indicator of the dimensions of potential influence, the distribution of investment is possibly more significant. American corporate wealth in the Philippines is concentrated in the largest firms. For example, the oil industry in the Philippines is largely owned by Americans (80 per cent), and accounts for more than half of all American investment in manufacturing. In an analogous manner, Americans have a strong position in assembly plants making heavy equipment, appliances, office machines, tires and rubber products, and transportation equipment, all products depending on a steady flow of capital imports. This concentration in large units is further suggested by the rankings on the Business Day's list: out of the top 50 American corporations in the Philippines in 1970, 30 fell within the top 100 corporations and all 50 were within the top 190. Finally, Americans manufacture a wide range of consumer goods for sale in the Philippine market, often doing little more than packaging the products locally. The combination of control over the single most vital industry in the nation--oil refining and distribution--along with large American multinational corporation strength in other strategic sectors of the economy ranging from manufacturing to agro-industry supports the underlying hypothesis of this paper that policy inputs into the Philippine political system from these American transnational actors deserve very serious examination and evaluation in any study purporting to talk to questions of Philippine political change.

A very brief review of the impact of the foreign-owned oil industry on the Philippine polity illustrates the importance of these transnational actors. Early in 1970, when a rising nationalist movement was protesting the tactics President Marcos had used to gain reelection and his general policies accommodating the international corporate community, the foreign oil companies demanded price increases for oil products in the Philippines. The Marcos Administration sided

with the oil companies. In doing so, it ignored the careful documentation that a Senate committee headed by Senator Jose Diokno had been accumulating over the years. That data showed how the oil corporations in the Philippines had overpriced their products at each stage in their production from pumping at the source through transporting, refining, and distributing locally. The nationalist movement responded to the President's decision by organizing an alliance with gasoline users--primarily jeepney drivers--and by shutting down transportation in the city. In the ensuing time of troubles for the Administration, protest activity escalated to the point where street violence became routine, and the normal activities of Manila frequently brought to a halt. Despite the strength of the protest movement, however, the oil price increases were approved, as was a second round later in the same year, again in the face of massive protests. The oil companies demanded a third round of price increases in 1971, again with Administration support, and again fought bitterly by the urban-based nationalist movement. This time the opposition forces came better prepared for legal battle, having assembled their own experts who presented a powerful case against price increases before various tribunals. Because the hearings delayed a decision until the 1971 political campaign had begun, President Marcos decided to postpone action.

In early September 1972, the oil companies again pushed for increased prices for oil products, despite a very tense political climate at the time. President Marcos supported the oil companies and a week prior to imposing martial law he granted a third major price rise in less than three years to the oil industry. Strong protests against his action contributed to the tenor of a large mass rally held September 21st to publically oppose major policies of President Marcos. Senator Jose Diokno called the rally: the main speaker was Senator Benigno Aquino. Both were arrested the following day (as was a third opposition Senator--Ramon Mitra), and martial law imposed a day later.

The case is illustrative in that it demonstrates a determination on the part of the Marcos Administration to offer no alternative to the Filipino nationalists who objected to repeated submission of Filipino interests (as they perceived them) to private American oil companies. The Administration persisted, in the face of mounting violence frequently pinpointed on the single issue of oil price increases, in supporting the foreign interests, and at no time made a convincing case to the people to justify its choice in contrast to the case made by those in opposition. Furthermore, the events surrounding the oil companies' repeated demands for price increases point clearly to the transnational "harmony of interests" between spokesmen for the Marcos Administration and American multinational corporations, the "disharmony of interests" existing within the Philippine polity, and the existence of a breakdown in the unity of the Filipino elite and the emergence of new alignments within the Philippine political system. Each of these conditions fits well the modified dependency/imperialism model.

Pre-Coup Politics of Transnational Economic Actors

Although major attention will be directed in this section to the activities of foreign corporations as they affect politics in the Philippines, mention must first be made of the cumulative impact of American government economic policies and of the world banking community on the Philippine economy. American policies for the Philippine economy have consistently emphasized the importance of "agriculture first." American assistance has provided the industrial sector with only 4 per cent of the aid dollar while the remainder has gone to programs directly related to agriculture or for infrastructure projects largely supportive of rural and provincial development. Since many of these programs tie up large Philippine counterpart funds, they have been charged—and quite justifiably I believe—with helping to sustain the rural

character of the Philippine economy.

The World Bank and the International Monetary Fund, too, have imposed constraints on the Philippine economy. The financial constraints have consisted largely of pressure to end any attempts by Philippine political leaders to impose controls over the freedom of the economy, to keep the Philippines open to trade and the flow of remittances outward, and to keep political authorities from adopting unorthodox programs of a populist nature that would be upsetting when viewed from the vantage point of Washington. In 1963 these policies were effectively applied to dismantle the protective machinery that had been built by nationalists to foster the growth of Filipino industry, as they were again in 1970 to force the Philippines to adopt an austerity program for government spending and to bring its debt management more directly under control of the World Bank and Fund.

The costs have been considerable. Among them are the loss in the 1960s of much of the earlier momentum of industrialization by Filipinos, the necessity "to realistically settle for sluggish economic growth over the next five years" as a result of the 1970 devaluation and decontrol decisions, and a shifting of additional resources to the traditional export sectors that have gained greatly in both instances from devaluation. The external pressures for economic orthodoxy also brought indirect political pressures: the need for political stability to accompany greater reliance on private foreign investment; anti-welfare policies in keeping with the need for an austere government budget (not so austere as to affect negatively demands for large increases in military and para-military expenditures, however); and policies generally favoring low wages as part of a strategy to shift to labor-intensive manufacturing. The specific policies pushed by private transnational economic actors must be viewed against this backdrop.

The American Chamber of Commerce of the Philippines has long been the organizational spokesman for American interests in the Philippines and a powerful lobbyist for those interests within the Philippine political system. Its major publication (The Journal of the American Chamber of Commerce of the Philippines), judging by the frequency the many business publications in the country quote it, is indicative of the positions the American business community advances. In recent years the journal has increasingly published articles lamenting the "poor investment climate" in the Philippines following passage of a general law on investments (1967), and warning that differences over American rights in the Philippines should be resolved before the Laurel-Langley agreement terminates in 1974.³¹ The journal has also published articles and editorials arguing that the advantages to the Philippines would be great if it would place greater reliance on private foreign investment. An investment banker wrote a glowing prospectus for the Philippines in which he claimed that "if the Philippines attracted half a billion dollars of foreign investment annually for say five years, it would seem that the country could match, if not surpass, the growth of the miracle economies that are Japan and West Germany."³² The figure, parenthetically, is the one that President Marcos announced after the coup as his goal for the annual flow of new private foreign investment into the Philippines. One of the directors of the American Chamber advanced the same promise of rapid growth: he claimed that reliance on foreign financing in the form of loans would increase the growth rate over domestic savings by 100 per cent, but with foreign equity added to more than 300 per cent.³³ The Chamber also warned that securing foreign capital is highly competitive. It noted that despite the attractiveness of the Philippines, the "attitudinal ambivalence . . . of some policy-making sectors to close more and more areas of economic activity to foreign investment constitutes a major deterrent. Here. . . is where the Philippines lags behind its competitors."³⁴

The Chamber pressured the Philippine government on the issue of what would be the treatment of American property and marketing rights gained under the special conditions of the "parity" amendment once it terminated in 1974. The Americans' general position, quite understandably, was that "pre-expir-³⁵ ation rights and privileges must be protected and preserved thereafter." The Chamber made frequent representations to the Constitutional Convention during its long deliberations on issues surrounding the "parity" question. While "parity" was viewed by all as a dead issue beyond 1974, the treatment of what had been gotten by Americans under its auspices escalated into one of the two or three key issues that forced the Marcos Administration to chose between supporting the foreign community and its Filipino allies or supporting the Filipino nationalists.

The Chamber waged a continuous battle with Congress to slow down and defeat "Filipinization" bills. In one discussion a Chamber director remarked that the "mere talk of excluding foreigners from investment areas was frightening enough. Foreign investors naturally w[ill] seek placement elsewhere." ³⁶ At about the same time the Chamber warned that "to Filipinize manufacturing industries will lead to a very large degree of technological isolation of the Philippines," and noted that "the list of Filipinization bills grows year ³⁷ after year."

Various delegates to the Constitutional Convention warned against the existence of a "powerful lobby to perpetuate American interests in the Philippines" that was operating in the convention and through the media "to hit at ultra-nationalistic and socialistic provisions in the draft declaration of ³⁸ principles" of the constitution. The most open surfacing of this lobby occurred when the Philippine Association, Inc., composed of large American and Filipino firms, sent a letter to all members of the Association and to the press attacking a Constitutional Convention committee's draft of

"Directive Principles of State Policy." The general set of principles attacked included, among other propositions, the provision that "The State shall undertake an integrated, nationalistic and socially oriented economic plan that shall effectively promote rapid industrialization The State recognizes the right to own property in the concept of stewardship which obliges all persons to use their property to benefit not only themselves but society. The ownership and enjoyment of private property to insure the broadest social benefit may be limited and regulated by law."³⁹ The press gave considerable attention to the letter and the arguments advanced by the Association that the Constitutional Convention had fallen under the control of groups who would turn the Philippines into a "socialistic and ultranationalistic" nation.⁴⁰ Some three months after the Association issued its letter, the Constitutional Convention voted to shelve the "controversial draft urging the adoption of a socialist concept in the new constitution." The same report noted that defeat "came on the heels of reports of a massive lobby allegedly set up by the Americans and other pressure groups to maintain the so-called status quo."⁴¹

Pre-Coup Cleavages in the Philippine Polity

A basic split had occurred in the Philippines in the years immediately preceding the coup, a split that divided a loose coalition of nationalists on the one side from President Marcos and his technocrats and business allies on the other. It was not the first such split in the Philippines. Shortly after independence part of the political elite pushed for the adoption of nationalist economic policies against those who would maintain a dependency status for the Philippines under the United States. The nationalists made

significant gains in the early years of the new republic, but when faced by a peasant rebellion against the system that broke out in the early 1950s, they rejoined the older elite to reaffirm Philippine dependency on the United States. The internal disharmony of interests between the nationalist entrepreneurs and the peasants was certainly greater than between the former and the traditional elite.

The pre-coup confrontation of forces in Philippine society was more clearly polarized than occurred two decades earlier, and was massively larger and more intense--at least in its urban dimension--and more richly complex. The new nationalist movement had effective, articulate spokesmen arguing its case both inside the government and outside. The numbers of youth involved were large, well organized and active on campuses throughout the nation. Congressional and Constitutional Convention spokesmen challenged the government's pro-foreign dependency policies and demanded fundamental changes in the Philippines' relations with the industrial nations. As has been pointed out, urban labor had joined the nationalist movement, at least on issues that could be demonstrated as directly affecting its interests. Many teachers and professors were actively and deeply committed to the movement.

The nationalists also had widespread support in the most influential and widely read mass media. Outstanding social critics like Renato Constantino provided in their daily columns a running commentary on the fundamental division that had developed within the polity between the Administration with its local elite and foreign allies on the one hand and the nationalists on the other. They also had support from many Filipino businessmen who desired to break away from foreign domination.⁴²

The pre-coup nationalist movement also included a peasant guerrilla force, organized around remnants from the earlier rebellion, from landless peasants, and from a small contingent of nationalist students and young intellectuals. While the latter provided a better link between the urban-based nationalist

movement and the peasant revolutionaries than had existed two decades earlier, the nationalist movement still lacked unity, organization, and ideological cohesion.

To a considerable degree the Marcos group possessed the attributes for effective action that the nationalist movement lacked. Partially this was simply a function of controlling the Administration. As President, he continued to push policies that further strengthened foreign domination of the Philippine economy. As head of the government he used his considerable powers to facilitate additional militarization of the polity through American-encouraged expansion of the armed forces and the police, both heavily dependent on the United States for their training, equipment, and ideological orientation. In the face of nationalist pressure he continued to commit the Philippines to a future position relative to the United States unchanged from that of the past--except perhaps to admit to an expanded role for Japan. His strong supporters in the Philippine business community went even further to defend the special privileges Americans enjoy in the Philippines. These spokesmen even argued for an extension past 1974 of these special rights and for fundamental changes in Philippine law to encourage more foreign private investment.⁴³ In summary, the Marcos group had increasingly come to view the future well-being of the Philippines as best achieved by following policies in accord with the prescriptions of American economists and the policies advocated by the American Chamber of Commerce.

The unity of the Marcos coalition was broken in August, 1972 when the Supreme Court committed the government to a policy completely in accord with the most extreme demands of the radical nationalist movement relative to American rights acquired under "parity." The court declared that all property purchased by American citizens or corporations since Philippine independence had been acquired illegally and, as an American commentator noted, Americans have been "in effect, squatters."⁴⁴ Moreover the Court also ruled in a second

case that any corporation falling within categories limited to majority Filipino participation cannot employ foreigners even though the company has sizeable foreign equity in it. If enforced, these decisions would have/under-^{done much to}mined the basis for American economic dominance of the Philippine economy. Response to the challenge was swift. American corporation spokesmen hurried to Manila to intercede with the President ⁴⁵ and leaders of the nationalist movement accelerated their attack on the Administration. Within a month after the Supreme Court decision on parity the President imposed martial law.

Martial Law: Political System Response

Implementation of martial law was executed rapidly and efficiently: "contingency plans" had been prepared well in advance and "trial runs" carried out. ⁴⁶ The army immediately jailed the first of several hundred newspapermen, publishers, students, politicians (almost all from the opposition party), and intellectual leaders of the nationalist movement. Over the months that followed over 8,200 were jailed, with more than 6,000 remaining in prison at the end of 1972 according to Philippine government figures. ⁴⁷ All individuals and institutions associated with making possible the continued existence of opposition to the policies which President Marcos had been trying to force on the nation were swept aside. The government's moves constitute a near classic case of an anti-system rightist coup designed to silence populist opposition whether expressed in governmental institutions or through private channels.

Internal policies: the quest for "stability." President Marcos' belief in the need for greater continuity in executive leadership coupled with what most people believe is an unbounded drive to remain in power, led him to work for a shift in constitutional systems from the presidential to the parliamentary. Following the coup, he expanded his control over the Constitutional Convention and pushed through a parliamentary system. He made sure that the transitional measures written into the new constitution granted him full

executive powers under both the old and the new documents for as long as he cares to extend the period before holding general elections. The new constitution, approved by the Constitutional Convention on November 29, 1972, was to have been submitted to a national plebiscite, a plan that President Marcos dropped in favor of ratification in "citizens assemblies." These were held early in January, 1973, with voting taking place by a public show of hands. The constitution was adopted by a 97 per cent yes vote.

Since the greatest causes of "instability," according to the Administration, were the intellectuals and the nationalist writers in the mass media, the new approach is based on prison and harassment to keep the intellectual and organizational leaders of the urban nationalist movement isolated from their constituents, and on a tightly controlled mass media completely responsive to directives from the government. By the end of the second month of the new regime, only five government controlled newspapers were publishing in Manila while 16 others remained closed. The pattern was the same for radio and TV. More importantly, the government had established a centralized Department of Public Information that assured a flow of approved information to all mass media and had organized a self-censoring agency among the media. In place of the old individualistic, muckraking reporting that had been typical in the past there has emerged a press that constantly reminds the people how much better the "new Society" is than the old, how people should support the new constitution, how they should refrain from spreading rumors, how they should be happy with the new programs being planned for social and economic development, and, above all else, how discipline is essential for achieving the goals of the "New Society."

Stability is / ^{costly} to achieve under the terms set by the President, as continuing challenges to the "New Society" suggest. The struggle between the peasant guerrillas--the New Peoples Army (NPA)--in the north and in various other areas has expanded in geographic scope. In the south the Moslems

with help from the NPA / ^{have} mounted a new challenge to the government (although the Administration labels the southern rebellion against martial law a "secessionist movement"). The government responded, as it has since the coup to NPA activities on Luzon, by escalating the military response to include all the anti-peasant techniques developed by the United States in Vietnam. Peasants have been forcibly removed from their homes and placed in "resettlement centers"; villages have been napalmed; and heavy military equipment used against areas suspected of harboring "dissidents."

On the short run, the government seems to have established a martial law "stability" in many of the rural areas as a result of its overwhelming military superiority, just as it has brought "stability" to the urban areas by heavy reliance on police power. The regime has, of course, outlawed all forms of protest activity and all strikes, and instituted a massive law and order campaign as one of the central themes of the "New Society." Coercion is used to keep the population divided and apprehensive. In selected areas of Manila the police have staged weekly saturation raids--each executed after mid-night--rounding up all individuals who do not have "proper identification papers."⁴⁸

In summary, the post-coup political system in the Philippines is one that relies on coercion to eliminate the opposition, a completely controlled press to assure a flow of information determined by the government, the elimination of existing deliberative and juridical institutions from any policy-making inputs into the system, and the establishment of a new constitution that permits existing power holders to remain in power indefinitely and that legitimizes changes in the direction of refeudalization of the relationships between the Philippines and the United States (and Japan) that President Marcos and the multinational corporations desire. "Stability" and the "garrison state" have arrived in the Philippines: the "Latin-Americanization" of the Philippine polity begun. In the process, the hypothesized widening of the political gap between a Third World nation (Periphery) and its over-

developed partner (Center) has occurred.

External policies: accommodation to foreign interests. In an interview several days after the coup, President Marcos made clear that the new regime would be highly solicitous of foreign interests in the Philippines. He specifically discussed the Supreme Court decisions that had caused such fear in the American business community and announced that he would overturn the prohibition the court imposed against employing foreigners in certain types of industries, and modify the decision applying to property gained under "parity." He also assured the Americans that "Filipinization" laws would not be applied to prohibit the bulk sale of oil to industrial users, and that exploration for oil in the Philippines would be promoted. Finally, he emphasized that the Philippines "would continue to seek foreign investment and capital. . ."⁴⁹ While the interview represented a strong statement of pro-American policies, stronger statements were to follow.

Three weeks later President Marcos underscored his desire to attract new investments by stating that "We're interested in all forms of foreign capital. And I would like to emphasize two things: We will offer as much incentive as is possible."⁵⁰ In the same interview he extended his earlier modification of the Court's anti-parity decision⁵¹ and made a bid for foreign oil companies by stating "It is our hope to provide a more attractive climate for exploration than our neighbors in Asia have."

The drive to attract foreign private investment has become a routine part of the new Administration's policies. The Secretary of Defense Juan Ponce Enrile, for example, assured the International Chamber of Commerce that the military would not in any way interfere with private business and that the reforms planned were "intended to provide the stability in which economic development can best grow and expand."⁵² The new regime has sought to attract

private foreign investment by giving assurances of a docile and cheap labor supply, by providing extensive infrastructure support---e.g., the large, modern Bataan Export Processing Zone, by overturning old legal restrictions prohibiting foreign investment in selected fields,⁵³ by placing the facilitative machinery of the government's Board of Investments (as well as its extensive battery of financial incentives) in the service of foreign investors, and by doing everything possible to make Manila an attractive center in which to establish "regional headquarters" of multinational corporations and the Philippines an investment target.

In the period since the coup, President Marcos and his technocrats have undermined earlier constitutional and congressional protections against increased foreign domination of the Philippine economy, and have attempted to create financial, political, and psychological incentives sufficiently attractive to make the Philippines a major focus for private foreign investment. They apparently hope to "balance" the increased American presence with an expansion of the role of Japanese and European capital for the "development" of the Philippines. No "middle-sized" underdeveloped nation has offered more to the industrial nations in recent years.⁵⁴ The regime seems eager to give foreigners, and especially Americans, strategic positions in the economy. In so doing, it has given to outsiders control over more than the shape of the economy: it has given them large areas of influence over the future of the Philippines.

Conclusions

The data assembled for the analysis of the political economy of the Marcos coup support the hypothesized relationships outlined in the modified Galtung dependency/imperialism model. The "harmony of interests" between elites in the United States and the Philippines---represented by Filipino export and commercial groups, and Filipinos and Americans in joint ventures

and in multinational corporations, and openly manifested in such organizations as the Philippine Association--was made more open as pressure mounted from the nationalist movement. The "disharmony of interests" between the population at large and these elites in turn became more pronounced as nationalist pressure forced the pre-coup regime to move steadily in a direction of greater support of its transnational economic allies, and in the process, to exacerbate the divisions between the government and the nationalists. In the process of this growing confrontation, counter-elites and breakaway groups from the establishment moved to give leadership to the nationalist movement. As tensions mounted and political "instability" came to be a threat to these transnational linkages, pressures increased to change the system in a manner to assure "stability."

In this dialectical situation the Supreme Court dramatically tipped the balance by a set of decisions that made continuation of existing American economic domination problematic. A coup was carried out shortly later and the Philippine political system transformed from one that repeatedly has been classified by political developmentalists as "politically developed" to one that fits into the "underdeveloped" category. While this might be viewed as an example of "political decay," I think it more instructive to conceptualize the change as the creation of a political system within a dependency in consonance with the stability demands of transnational economic actors and especially of multinational corporations (primarily American but increasingly Japanese and European) operating in a poor country. The new authoritarian system promises a local "political climate" that will provide a law and order security setting within which foreign business can prosper, and simultaneously a package of financial incentives to accelerate the flow of private foreign investments to the Philippines. The turn to authoritarianism represents a widening of the political gap between the "developed" and the "underdeveloped" nations: it is the political analogue of the widening

economic gap between rich and poor countries.

There is considerable evidence supporting the position that the economic gap is intimately tied to the policies implemented by the large industrial nations--the development of underdevelopment, as it has frequently been labelled. The material surveyed in this paper suggests that rather than consider each turn to authoritarian rule in the Third World as an example of "political decay" we conceptualize it as the production of a political system to accord with the interests of powerful transnational economic and political actors impinging on such a nation. The Philippine case seems to fall within this explanatory framework.

In the face of rising nationalist demands for Philippine economic independence, ^{i.e.,} ^{counter-}for defeudalization, the regime responded to the/demands of transnational economic actors, in alliance with what is probably a majority of the Filipino economic elite, by radically altering the Philippine political system. The "New Society" imposed authoritarian controls over the flow of information, eliminated the leadership of the nationalist movement from any possible contact with its mass base, denied all civil rights under which opposition might ^{openly} become possible, and eliminated major governmental institutions such as Congress and the Supreme Court from decision-making roles. The new system promises "stability" and full cooperation with transnational economic actors in the exploitation of Philippine material resources and manpower, cooperation that signifies a new increment of refeudalization. As a commentator on this type of choice has observed, "If regimes can hope to mobilize either foreign investors or their own constituents but not both, then the alienation of the populace from its government must be counted as one of the 'opportunity costs' of policies favoring foreign investors." ⁵⁵

If "the alienation of the populace from its government" takes place in the Philippines, as I think quite probable under the regime's present policies, the next confrontation between Philippine nationalists and the supporters of the imperial status quo is likely to be more extensive in scale and intensity than that which ^{was} successfully won by President Marcos and his Filipino and American coalition of interests. Hopefully in a new confrontation, defeudalization rather than refeudalization will result.

NOTES

*This is a revised version of a paper originally prepared for presentation at a meeting of the International Studies Association in San Francisco, Calif., March 22-24, 1973. I am grateful to the discussants for their suggestions, and particularly to Een Kerkvliet.

1. For a review of work underway using linkage theory see Roscnau, J. N.: Theorizing Across Systems: Linkage Politics Revisited. Paper presented at the 1971 meeting of the American Political Science Association, Chicago, September 7, 1971. Also see Chalmers, D. A.: Developing on the Periphery: External Factors in Latin American Politics, in Rosenau, J. N. (ed.): Linkage Politics: Essays on the Convergence of National and International Systems (New York: Free Press, 1969).

2. See Alschuler, L. R.: A Sociological Theory of Latin American Underdevelopment, Comparative Political Studies 6, pp. 41-61, and Heintz, P. (ed.): A Macrosociological Theory of Societal Systems (Bern: Hans Huber, 1972).

3. Baran, P. A.: The Political Economy of Growth (New York: Monthly Review Press, 1957), and Frank, A. G.: Latin America: Underdevelopment or Revolution (New York: Monthly Review Press, 1969).

4. See Bodenheimer, S. J.: The Ideology of Developmentalism: The American Paradigm-Surrogate for Latin American Studies (Leverly Hills, Calif.: Sage Professional Papers in Comparative Politics, 1971), and: Dependency and and Imperialism: The Roots of Latin American Underdevelopment, Politics and Society 1, pp. 327-358.

5. See especially Galtung, J.: A Structural Theory of Imperialism, Journal of Peace Research 2, pp. 81-118 and also: Feudal Systems, Structural Violence and the Structural Theory of Revolutions, International Peace Research Association: Studies in Peace Research, Vol. 1 (Netherlands: Van Gorcum Ltd., 1970).

6. Recent work by Lawrence R. Alschuler may dispute this. His recent paper based on stratification theory pulls the two streams of theory together and greatly strengthens both by subjecting theory to empirical testing. See Alschuler, L. R.: *Satellization and Stagnation in Latin America*. Paper presented at a workshop on "Development and Political Modernization," European Consortium for Political Research, Mannheim, West Germany, April 12-18, 1973.

7. See the articles referred to in note 5 above; also Stauffer, R. B.: *Great-Power Constraints on Political Development*, Studies in Comparative International Development 6, pp. 231-251.

8. *Dependency and Imperialism*, op. cit., p. 355.

9. For the full statement see Galtung, J.: *A Structural Theory of Imperialism*, Journal of Peace Research 2, pp. 81-118.

10. See the paper mentioned in footnote 7, and the important study by Miles D. Wolpin: Military Aid and Counterrevolution in the Third World (Lexington, Mass. Lexington Books, 1972).

11. Two reservations deserve attention on this point. Many argue that the turn to authoritarian regimes by poor nations (and especially those that had experienced a period of colonial rule) is simply a return to "traditional" ways of organizing political life, a shedding of a political veneer acquired during foreign domination. I would recognize the salience of this point of view but would argue that inter-system constraints greatly contributed in the past to the definition of what is "traditional," and today constitute the central variable. The second caveat is that imperialism usually means a garrison state polity for the Center as well as for the Periphery. While this "Roman empire" model is commonplace in the history of imperial systems, the "British" alternative has also flourished. The latter serves as the basis for the hypothesized development of a widening political gap.

12. Galtung's framework provides for multiple types of imperialism depending on the type of exchange mechanism employed. I will work primarily with the economic system. I would note that in the case of the Philippines, the military, communication, and cultural exchange systems are equally strong and well-developed. For an unwitting revelation of the extent of America's military-political control of the Philippines written by a participant see Lansdale, E. G.: In the Midst of Mars. An American's Mission to Southeast Asia (New York: Harper, 1972).

13. Cutright, P.: National Political Development: Measurement and Analysis, American Sociological Review 28, p. 263.

14. Newland, L. C.: World in Review: Asia, Honolulu Star-Bulletin, January 1, 1973.

15. Since neither political party had an identifiable set of policies distinct from the other, and since each was made up of a congeries of individuals seeking control over an increasingly bitterly contested set of resources, the terminology should be modified appropriately.

16. Marcos, F. E.: Today's Revolution: Democracy (Manila: 1971).

17. See Nowak, T. C. and Snyder, K.: Political Decay in the Philippines: An Empirical Test. Paper presented at the Western Association of Asian Studies meeting, Salt Lake City, November 9-11, 1972. Related findings are reported by Benson, L. P.: A Research Note on Machine Politics as a Model for Change in a Philippine Province, American Political Science Review 67, pp. 560-566. An A. I. D. funded RAND study of Philippine "instability" completed a few years ago was based on conventional "development" theory and concluded that the problems of that country are largely due to misperceptions. See Averch, H. A., et al.: A Crisis of Ambiguity: Political and Economic Development in the Philippines (Santa Monica, Calif.: The RAND Corporation, 1970).

18. Since it structures attention to within-system forces to the exclusion of transnational factors in political change and imposes upon the analyst powerfully conservative constraints.

19. Far Eastern Economic Review, June 10, 1972, p. 24.

20. U. S. News & World Report, October 16, 1972, p. 37.

21. Montelitano, A.: The Case for Foreign Investment, Journal of the American Chamber of Commerce of the Philippines ^{JACCP} (June, 1972), p. 4.

22. Hicks, G. and McNicoll, G.: Trade and Growth in the Philippines (Ithaca, N. Y.: Cornell University Press, 1971), p. 48.

23. See the work of Ivan Illich on this, and especially: Outwitting the Developed Countries, New York Review of Books (November 6, 1969).

24. For a more extended analysis of the negative consequences of multinationals in poor nations see Stauffer, R. B.: Nation-building in a Global Economy: The Role of the Multinational Corporation (Berkeley Hills, Calif.: Sage Professional Papers in Comparative Politics, 1973).

25. Business Day, January 18, 1972. I have discussed weaknesses in the study's design in: The Political Economy of Development: A Philippine Note, Philippine Journal of Public Administration 16, pp. 129-146.

26. Business Day: Business Day's 1000 Top Philippine Corporations (Quezon City: Business Day, March 15, 1971), p. 8.

27. Note should be made that the data assembled by Business Day do not include banking and insurance, two fields in which Americans hold a strong position, and where in one--banking--the Americans are rapidly expanding.

28. The Japanese are much more deeply involved in the Philippine economy than their small percentage of total foreign investment indicates. Japan currently is the largest trading partner of the Philippines and is a major partner in mining and manufacturing. Lack of established treaty relations has encouraged the use of financial arrangements other than direct investment.

29. For a fuller documentation of these points see Henares, H. M., Jr.: Colonial Strategy Against Full Scale Industrialization (Manila: Araneta University, Institute of Economic Studies, Report No. 20, 1968), and Lichauco, A.: Imperialism and the Security of the State (Manila: 1972).

30. Manila Times, July 17, 1972. The "sluggish economic growth" rate certainly contributed to the mounting pressures directed against the political system immediately prior to the coup.

31. As the price for extensive assistance in rebuilding the Philippines immediately after the Second World War, the U. S. forced the Philippine government to amend its constitution to grant Americans the right to acquire land and to engage in types of economic activity otherwise denied them under the constitution. These special rights gave Americans "parity" with Filipinos to exploit Philippine natural resources and to "develop" the economy. Parity is to end on July 3, 1974. The Laurel-Langley agreement made minor modifications in this basic framework for promoting dependency.

32. Stolen, M. V.: Foreign Investment Revisited: Economic Issues and Socio-Political Considerations, JACCP (March, 1972), p. 40.

33. JACCP (February, 1972), p. 10.

34. JACCP (April, 1972), p. 3.

35. JACCP (November, 1971), p. 4.

36. "Talk" referred to both Congress and the Constitutional Convention. JACCP (February, 1972), p. 10.

37. JACCP (March, 1972), p. 41, and JACCP (April, 1972), p. 3.

38. Manila Times, February 19, 1972.

39. Manila Times, January 23, 1972.

40. Herald, January 6, 1972.

41. Manila Chronicle, February 23, 1972. One of the outspoken nationalist delegates to the Constitutional Convention, Alejandro Lichauco (arrested immediately after martial law was declared), wrote concerning the Philippine Association that its "administrative machinery is actually run by the Soriano enterprises [the owners hold American citizenship]. [It] has consistently espoused the open economy and national treatment for foreign, particularly American investments . . . and brazenly sought to openly influence the course of legislation and constitution-making." He also observes that there is a "striking parallelism and virtual identity between the editorial policies of the Philippine Association. . . and the journal of the American Chamber of Commerce of the Philippines." Lichauco, A.: Imperialism and the Security of the State (Manila: 1972), pp. 52-3.

42. Publications of the Araneta University's Institute of Economic Studies and Social Action, of the Philippine Chamber of Industries, and of the National Economic Protectionism Association indicated the presence of this alternative set of business interests as ^{did} / the daily columns in many business sections of the press.

43. See Montelibano, A.: The Case for Foreign Investment, JACCP (June, 1972), pp. 4 ff, and a speech by Senate President Gil Puyat, Jr., ibid., pp. 8ff.

44. Honolulu Star Bulletin-Advertiser, October 22, 1972.

45. Rosenberg, D. A.: The End of the Freest Press in the World: Martial Law Comes to the Philippines. Paper presented to the Southeast Asia Program, Cornell University, November 16, 1972.

46. See the paper cited in footnote 45 for details.

47. The other 2,200 had been released, according to the Philippine Department of Public Information, under the government's "forgive and forget" policy. Other reports indicate that release depends on disavowal of past political activities, pledge of support to the "New Society," and, for many, the requirement

that they report in to the military periodically. The Philippine press reported through 1973 names of additional "detainees" released from prison, not, of course, of new additions to the list of those in military jails.

48. The Daily Express, the first new government-favored newspaper to begin publication after the coup, carried stories about a series of these raids carried out in the Tondo, a working-class district of Manila. From 100 to 300 individuals were taken to jail on each occasion. More than half a dozen raids were reported between April and July, 1973.

49. Tillman Durdin, New York Times, September 27, 1972.

50. U. S. News & World Report, October 16, 1972, p. 38.

51. The issue was finally resolved to protect American interests in the new constitution. It provided that American-owned land could be transferred through hereditary succession or sold to persons or corporations qualified under the new charter to own such properties (Article 17, Section 11 of the new constitution).

52. Business Day, October 20, 1972.

53. In 1954 Congress passed a bill to "nationalize" the retail trade/
(i.e., restrict it to Filipinos),
an act largely directed against Chinese engaged in trade in cereals. Subsequent acts applied the restriction to all phases of agriculture related to production for the Philippine market. This body of legislation seemed so a part of the political economy of the Philippines as to be beyond challenge. In May 1973, however, President Marcos declared the Philippines would allow foreign firms to engage in rice and corn production. See Philippine Prospect, June, 1973, p. 2. This government publication summarizes economic changes and new opportunities, "especially for foreign investors and international businessmen."

54. Response by foreign investors was rather slow for the first few months until the new constitution was "ratified" and the challenge in the south "stabilized." By mid-1973, however, reports of new investment proposals and

of actual projects underway have increased almost exponentially: not an issue of a newspaper fails to carry a report of new foreign private investment. While I doubt if the nation will achieve the President's goal of a half billion dollars of new investment per year, I think the total commitments will easily exceed the amount of private foreign investment ever received in any year in Philippine history, and that the Philippines may become the new "boom" economy of the Third World. Under existing structural relationships, there is reason to believe that such a development would benefit primarily corporations largely centered in the United States and their Philippine allies. The structure of these relationships assures that any expansion in the traditional sectors of the economy, or even the industrialization of the Philippines, will further strengthen disproportionately multinational corporations (and by extension, their metropolitan states), and a small group of cooperating Filipinos.

55. Evans, F. D.: National Autonomy and Economic Development: Critical Perspectives on Multinational Corporations in Poor Countries, in Keohane, R. O. and Nye, J. S., Jr. (eds.): Transnational Relations and World Politics (Cambridge, Mass.: Harvard University Press, 1972), p. 340.